

(Translation)

Summary of Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2023 (J-GAAP)

February 9, 2023

Listed Company Name: Oki Electric Industry Co., Ltd.

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

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Filing of Quarterly Securities Report (Scheduled): February 14, 2023

Commencement of Dividend Payment (Scheduled): –

Supplementary Document on Quarterly Financial Results: Yes

Quarterly Financial Results Briefing: Yes (for institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2022

(from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2022	256,591	4.1	(4,754)	–	(7,885)	–	(11,557)	–
December 31, 2021	246,413	–	(132)	–	71	–	(6,225)	–

(Note) Comprehensive income Nine months ended December 31, 2022: ¥(11,594) million (–%)
Nine months ended December 31, 2021: ¥(8,677) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	(133.42)	–
December 31, 2021	(71.89)	–

(Note) From the fourth quarter of the fiscal year ended March 31, 2022, overseas subsidiaries of the Company that apply International Financial Reporting Standards (IFRS) changed their accounting policies based on the “Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38),” an agenda decision announced by the IFRS Interpretations Committee (IFRIC) in April 2021. Accordingly, figures for the First Nine Months of the fiscal year ended March 31, 2022 have been retroactively adjusted to reflect these changes in accounting policies. In addition, year-on-year changes are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	381,614	93,431	24.4
As of March 31, 2022	369,170	107,635	29.1

(Reference) Shareholders' equity As of December 31, 2022: ¥93,239 million
As of March 31, 2022: ¥107,437 million

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	30.00	30.00
Fiscal year ending March 31, 2023	–	0.00	–	–	–
Fiscal year ending March 31, 2023 (Projection)	–	–	–	20.00	20.00

(Note) Revisions to dividend projection most recently announced: Yes

3. Consolidated Results Projection for the Fiscal Year Ending March 31, 2023
(from April 1, 2022 to March 31, 2023)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	372,000	5.7	3,000	(48.8)	500	(93.5)	(3,000)	—	(34.63)

(Note) Revisions to operating results projection most recently announced: Yes

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: Yes
 - 2) Any changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None

(Note) For details, please refer to “(4) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 10 of the Attachment.

- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (including treasury shares)
 - As of December 31, 2022: 87,217,602 shares
 - As of March 31, 2022: 87,217,602 shares
 - 2) Number of treasury shares at the end of the period
 - As of December 31, 2022: 598,428 shares
 - As of March 31, 2022: 617,937 shares
 - 3) Average number of shares during the period
 - Nine months ended December 31, 2022: 86,619,595 shares
 - Nine months ended December 31, 2021: 86,600,564 shares

Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Explanation regarding appropriate use of results projection and other special notes

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results projection and notes on the use of such projections, please refer to “(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other” of “1. Qualitative Information on Financial Results for the Period” on page 5 of the Attachment.

(How to obtain supplementary document on financial results)

The Company is scheduled to hold a financial results briefing for institutional investors on February 9, 2023 (Wednesday). The document on financial results is disclosed on TDNet at the same time as this Summary of Consolidated Financial Results and is also made available on the Company’s website on the same day.

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1. Qualitative Information on Financial Results for the Period

(1) Operating Results

1) Overview of the first nine months of the fiscal year ending March 31, 2023 (April 1, 2022 to December 31, 2022)

Despite recovery in economic activity thanks to improvement in circumstances surrounding the COVID-19 pandemic, the future remains uncertain owing to exchange rate instability and rising geopolitical risks stemming from the prolonged conflict between Russia and Ukraine. In addition, supply chain disruptions such as soaring raw material prices as well as parts and material shortages — especially for semiconductors — have continued into the current fiscal year.

Given this state of affairs, OKI considers strengthening its ability to respond to the above risks to be an urgent priority and aims to build a strong foundation for realizing sustainable growth by resolving social issues. Based on the materiality of the OKI Group, we are working on ways to resolve seven social issues (aging of infrastructure, natural disasters, traffic congestion, environmental problems, labor shortages, labor productivity, and the spread of infectious diseases).

Net sales for the first nine months of the fiscal year ending March 31, 2023 were ¥256.6 billion (a ¥10.2 billion, or 4.1%, increase year-on-year). This growth occurred despite negative impact stemming from production decline caused by shortages of semiconductors and other materials and was primarily due to positive forex impact and the recording of sales that the Company originally expected to book in the previous fiscal year.

Operating loss amounted to ¥4.8 billion yen (year-on-year loss expansion of ¥4.7 billion) in large part because OKI encountered adverse forex impact and in large part because the Company posted one-time gains during the nine months ended December 31, 2021 but did not do so during the period under review. However, we are countering negative supply chain-related impact by generating sales volume growth, optimizing our selling prices, reducing fixed costs, and implementing other performance-boosting initiatives. Furthermore, we continue to address supply chain issues through a variety of countermeasures including efforts targeting enhanced procurement capabilities (expanding our pool of suppliers, etc.) and design adjustments that allow for the use of alternative parts and materials. Preparations facilitating future production using these alternative parts and materials are currently underway and progressing smoothly.

Ordinary loss worsened by ¥8.0 billion year-on-year, coming in at ¥7.9 billion due to factors such as deterioration in terms of non-operating foreign exchange gains/losses.

Loss attributable to owners of parent was ¥11.6 billion, a loss expansion of ¥5.4 billion year-on-year. This deterioration came despite a decrease in extraordinary losses accompanying structural reforms.

(Billions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2021	Year-on-year change rate
Net sales	256.6	246.4	4.1%
Operating income (loss)	(4.8)	(0.1)	—
Ordinary income (loss)	(7.9)	0.1	—
Profit (loss) attributable to owners of parent	(11.6)	(6.2)	—

Net sales to external customers and operating income by business segment were as follows.

2) Results by business segment

<Solution Systems>

Segment net sales came to ¥119.2 billion (a year-on-year increase of 10.7%, or ¥11.6 billion). Sales grew in all business fields. We observed particularly notable expansion in sales generated through the aircraft equipment business acquired within the Public Solutions field and in sales secured through telecom carrier-related projects in the Enterprise Solutions field.

Segment operating income fell to ¥0.3 billion yen (down ¥1.2 billion year-on-year) due to growth in prices for parts and materials, negative forex impact, and expansion in failure costs associated with software development projects handled within the Enterprise Solutions business field.

(Billions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2021	Year-on-year change rate
Net sales	119.2	107.6	10.7%
Operating income(loss)	0.3	1.5	(81.0)%

<Components & Platforms>

Segment net sales were ¥137.1 billion (a year-on-year decrease of ¥1.4 billion, or 1.0%). In the Mono-zukuri Platforms business field, FA/semiconductor manufacturing equipment sales remained strong, a continuation from the previous fiscal year. However, despite positive forex impact in the peripheral products business, sales generated through the Component business field incurred substantial impact from production declines caused by shortages of parts and materials in the automation systems business, and segment sales fell as a result.

Despite sales growth in the Mono-zukuri Platforms business field and fixed cost reductions achieved through structural reforms, segment operating loss amounted to ¥1.1 billion (year-on-year loss expansion of ¥4.5 billion). This result occurred in part because sales generated through the Component business field declined year-on-year and in part because the Company recognized one-time gains during the nine months ended December 31, 2021 but did not do so during the period under review.

(Billions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2021	Year-on-year change rate
Net sales	137.1	138.5	(1.0)%
Operating income(loss)	(1.1)	3.4	—

<Others>

Net sales were ¥0.4 billion (a year-on-year increase of ¥0.1 billion, or 21.7%) and operating income was ¥0.4 billion (a year-on-year increase of ¥0.2 billion).

(Billions of yen)	Nine months ended December 31, 2022	Nine months ended December 31, 2021	Year-on-year change rate
Net sales	0.4	0.3	21.7%
Operating income(loss)	0.4	0.2	141.3%

(2) Financial Position

1) Assets, liabilities, net assets, etc., at the end of the first nine months of the fiscal year ending March 31, 2023

As of December 31, 2022, total assets were ¥381.6 billion, up ¥12.4 billion from the end of the previous fiscal year. Shareholders' equity decreased ¥14.2 billion from the end of the previous fiscal year to ¥93.2 billion mainly due to the recording of a ¥11.6 billion quarterly loss attributable to owners of parent and the payment of ¥2.6 billion in ordinary dividends. As a result, the shareholders' equity ratio stood at 24.4%.

Major changes in assets included a decrease of ¥13.7 billion in notes and accounts receivable—trade and contract assets and an increase of ¥27.5 billion in inventories.

In terms of liabilities, borrowings mainly increased, and totaled ¥119.7 billion, an increase of ¥32.5 billion from ¥87.2 billion at the end of the previous fiscal year.

2) Cash flow for the first nine months of the fiscal year ending March 31, 2023

For the period under review, net cash used through operating activities amounted to ¥14.4 billion (versus net cash of ¥0.3 billion provided during the same period of the previous fiscal year) and was primarily impacted by growth in working capital.

Net cash used in investing activities came to ¥13.6 billion (versus ¥15.1 billion), mainly because of purchases of property, plant, and equipment.

As a result, free cash flow (operating cash flow plus investing cash flow) came to a net outflow of ¥28.0 billion (versus a net outflow of ¥15.4 billion during the same period of the previous fiscal year).

Net cash provided by financing activities was ¥26.2 billion (compared with ¥3.5 billion provided by these activities in the previous year). Proceeds from borrowings were the main source of cash.

Owing to these factors, plus the ¥1.2 billion positive impact of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the end of the third quarter of the fiscal year ending March 31, 2023 amounted to ¥32.8 billion, down from ¥33.4 billion at the end of the previous fiscal year.

(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other

In response to recent performance trends, we have revised our full-year consolidated results projection for the fiscal year ending March 31, 2023 and now forecast net sales of ¥372.0 billion (down ¥53.0 billion compared to our previous projection), operating income of ¥3.0 billion (down ¥6.0 billion), ordinary income of ¥0.5 billion (down ¥7.5 billion), and loss attributable to owners of parent of ¥3.0 billion (down ¥6.0 billion from our previous forecast of ¥3.0 billion in profit attributable to owners of parent). A by-segment breakdown of these revisions can be found below.

When formulating these projections, we assumed exchange rates of ¥135/USD and ¥143/EUR for the three months ending March 31, 2023.

For additional details, please refer to the financial results outline we released for the nine months ended December 31, 2022 on the same date as this summary.

(Reference)

Full-year consolidated results projection for the fiscal year ending March 31, 2023
(from April 1, 2022 to March 31, 2023)

	(Billion yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Previous projection (A)	425.0	9.0	8.0	3.0
Current projection (B)	372.0	3.0	0.5	(3.0)
Amount change (B – A)	(53.0)	(6.0)	(7.5)	(6.0)
Percentage change (%)	(12.5)	(66.7)	(93.8)	-
(Reference) Actual results for the fiscal year ended March 31, 2021	352.1	5.9	7.7	2.1

		(Billion yen)		
(Billions of yen)		FY2023/3 Revised	FY2023/3 Previous	Change
Solution Systems	Net sales	183.0	210.0	(27.0)
	Operating income	9.5	14.0	(4.5)
Components & Platforms	Net sales	189.0	215.0	(26.0)
	Operating income	0.0	2.0	(2.0)
Others	Net sales	0.0	0.0	0.0
	Operating income	0.0	0.0	0.0
Elimination/corporate	Operating income	(6.5)	(7.0)	0.5
Total	Net sales	372.0	425.0	(53.0)
	Operating income	3.0	9.0	(6.0)

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. Major factors that may affect actual results include market trends, a sharp rise in raw material prices, abrupt currency fluctuations and disasters. It should be noted, however, that factors that may affect actual results are not limited to these items.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	36,691	33,009
Notes and accounts receivable - trade, and contract assets	94,469	80,824
Finished goods	17,425	23,331
Work in process	14,713	26,774
Raw materials and supplies	26,023	35,583
Other	22,572	23,002
Allowance for doubtful accounts	△57	△49
Total current assets	211,837	222,476
Non-current assets		
Property, plant and equipment	57,653	58,185
Intangible assets	14,027	15,245
Investments and other assets	85,652	85,706
Total non-current assets	157,333	159,137
Total assets	369,170	381,614
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,691	55,644
Short-term borrowings	43,337	87,426
Provisions	4,478	4,780
Other	53,450	49,394
Total current liabilities	157,958	197,245
Non-current liabilities		
Long-term borrowings	43,838	32,316
Provision for retirement benefits for directors (and other officers)	195	174
Other provisions	925	933
Retirement benefit liability	31,320	31,794
Other	27,297	25,719
Total non-current liabilities	103,576	90,936
Total liabilities	261,535	288,182
Net assets		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,006	18,994
Retained earnings	55,103	40,948
Treasury shares	△869	△841
Total shareholders' equity	117,241	103,102
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,030	579
Deferred gains or losses on hedges	22	△179
Foreign currency translation adjustment	△9,069	△8,467
Remeasurements of defined benefit plans	△1,788	△1,795
Total accumulated other comprehensive income	△9,804	△9,862
Share acquisition rights	138	121
Non-controlling interests	60	70
Total net assets	107,635	93,431
Total liabilities and net assets	369,170	381,614

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
(For the Nine Months Ended December 31, 2021 and 2022)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	246,413	256,591
Cost of sales	184,286	198,383
Gross profit	62,127	58,208
Selling, general and administrative expenses	62,259	62,962
Operating loss	△132	△4,754
Non-operating income		
Interest income	79	106
Dividend income	805	842
Foreign exchange gains	912	—
Miscellaneous income	663	455
Total non-operating income	2,461	1,404
Non-operating expenses		
Interest expenses	996	1,334
Foreign exchange losses	—	1,450
Miscellaneous expenses	1,261	1,751
Total non-operating expenses	2,257	4,536
Ordinary profit (loss)	71	△7,885
Extraordinary losses		
Impairment losses	893	—
Business restructuring expenses	2,765	—
Total extraordinary losses	3,658	—
Loss before income taxes	△3,587	△7,885
Income taxes - current	1,369	1,318
Income taxes - deferred	1,258	2,334
Total income taxes	2,628	3,653
Loss	△6,216	△11,538
Profit attributable to non-controlling interests	9	18
Loss attributable to owners of parent	△6,225	△11,557

(Consolidated Statements of Comprehensive Income)
(For the Nine Months Ended December 31, 2021 and 2022)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Loss	△6,216	△11,538
Other comprehensive income		
Valuation difference on available-for-sale securities	△2,578	△450
Deferred gains or losses on hedges	△26	△201
Foreign currency translation adjustment	△606	604
Remeasurements of defined benefit plans, net of tax	750	△7
Total other comprehensive income	△2,461	△55
Comprehensive income	△8,677	△11,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△8,684	△11,615
Comprehensive income attributable to non-controlling interests	6	20

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Loss before income taxes	△3,587	△7,885
Depreciation	9,371	8,966
Increase (decrease) in provisions	△3,199	236
Interest and dividend income	△885	△949
Interest expenses	996	1,334
Decrease (increase) in trade receivables	23,640	17,825
Decrease (increase) in inventories	△17,329	△25,741
Increase (decrease) in trade payables	△8,676	△3,586
Other, net	910	△246
Subtotal	1,239	△10,047
Interest and dividends received	885	949
Interest paid	△963	△1,239
Income taxes paid	△1,504	△4,111
Net cash provided by (used in) operating activities	△342	△14,448
Cash flows from investing activities		
Purchase of property, plant and equipment	△10,987	△7,843
Purchase of intangible assets	△3,833	△4,367
Payments for acquisition of businesses	—	△1,500
Other payments	△1,025	△1,020
Other proceeds	722	1,163
Net cash provided by (used in) investing activities	△15,123	△13,568
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	19,095	44,893
Repayments of long-term borrowings	△10,568	△13,072
Dividends paid	△1,724	△2,585
Repayments of lease liabilities	△3,329	△3,095
Other, net	23	16
Net cash provided by (used in) financing activities	3,497	26,156
Effect of exchange rate change on cash and cash equivalents	492	1,247
Net increase (decrease) in cash and cash equivalents	△11,476	△611
Cash and cash equivalents at beginning of period	41,830	33,379
Cash and cash equivalents at end of period	30,354	32,767

(4) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

The Group has adopted “the Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as “the Accounting Standard for Fair Value Measurement”) as of the beginning of the fiscal year ending March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the Accounting Standard for Fair Value Measurement, the Group has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement in the future. These changes had no impact on the consolidated financial statements for the first nine months of the fiscal year ending March 31, 2023.

(Segment Information, etc.)

I First nine months of the fiscal year ended March 31, 2022 (From April 1, 2021 to December 31, 2021)

1. Information about amounts of net sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	107,606	138,492	246,099	314	246,413	–	246,413
Intersegment net sales or transfers	522	2,777	3,299	7,657	10,957	(10,957)	–
Total	108,129	141,270	249,399	7,972	257,371	(10,957)	246,413
Segment income (loss)	1,528	3,378	4,906	150	5,056	(5,188)	(132)

Notes: 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.

2. The ¥(5,188) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥170 million, corporate expenses not allocated to each reportable segment of ¥(5,331) million, and an adjustment to fixed assets of ¥(27) million. Corporate expenses consist mainly of general and administrative expenses and R&D expenses that are not attributable to the reportable segments.

3. Segment income or loss is adjusted with operating loss recorded on the consolidated statements of income.

2. Matters related to changes in reportable segments

(Implementation costs associated with cloud computing agreements)

Some overseas consolidated subsidiaries apply International Financial Reporting Standards (IFRS). In the past, they applied IAS 38 (“Intangible Assets”), recognizing configuration and customization costs associated with cloud computing agreements as intangible assets. However, based on an agenda decision by the IFRS Interpretations Committee announced in April 2021, beginning in the fourth quarter of the previous fiscal year, those overseas subsidiaries changed their accounting policy to recognize the costs of configuration and customization services as expenses when received. This change in accounting policy has been applied retroactively, and segment information for the first nine months of the previous fiscal year has been retroactively adjusted.

As a result, segment loss in the “Components & Platforms Business” improved by ¥247 million in the first nine months of the fiscal year ended March 31, 2022.

II First nine months of the fiscal year ending March 31, 2023 (From April 1, 2022 to December 31, 2022)

Information about amounts of net sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	119,158	137,050	256,209	382	256,591	–	256,591
Intersegment net sales or transfers	634	3,021	3,656	9,311	12,968	(12,968)	–
Total	119,793	140,071	259,865	9,694	269,559	(12,968)	256,591
Segment income (loss)	290	(1,104)	(813)	362	(451)	(4,302)	(4,754)

Notes: 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.

2. The ¥(4,302) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥313 million, corporate expenses not allocated to each reportable segment of ¥(4,586) million, and an adjustment to fixed assets of ¥(29) million. Corporate expenses consist mainly of general and administrative expenses and R&D expenses that are not attributable to the reportable segments.

3. Segment income or loss is adjusted with operating loss recorded on the consolidated statements of income.